UNIVERSITY OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Joseph J. Simons, Chairman
Noah Joshua Phillips
Rohit Chopra
Rebecca Kelly Slaughter
Christine S. Wilson

In the Matter of

SOCIAL FINANCE, INC., a corporation, also
d/b/a SOFI, and

SOFI LENDING CORP., a corporation, also
d/b/a SOFI.

DOCKET NO.

COMPLAINT

The Federal Trade Commission, having reason to believe that Social Finance, Inc., a corporation, also doing business as SoFi, and SoFi Lending Corp., a corporation, also doing business as SoFi (collectively, “Respondents” or “SoFi”) have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Social Finance, Inc., also doing business as SoFi, is a Delaware corporation with its principal office or place of business at One Letterman Drive, Building A, San Francisco, California 94129.

2. Respondent SoFi Lending Corp., also doing business as SoFi, is a California corporation with its principal office or place of business at 375 Healdsburg Avenue, Suite 280, Healdsburg, CA 95448. SoFi Lending Corp. is a wholly owned subsidiary of Respondent Social Finance, Inc.

3. Respondents have marketed, advertised, offered, and originated a variety of credit products to consumers, including unsecured loans for the purposes of refinancing consumers’ student loans. Respondents have disseminated or have caused to be disseminated advertisements promoting such student loan refinances.

4. The acts and practices of Respondents alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.
Respondents’ Claims Regarding the
Average Savings Achieved by Consumers

5. Since at least April 2016, Respondents’ Internet, television, and direct mail advertisements have represented that consumers who obtain a student loan refinance from Respondents have saved, on average, specific large amounts of money over the lifetime of their loans or each month.

6. In fact, in numerous instances, Respondents’ representations inflate the average savings consumers have actually achieved – sometimes even doubling the actual savings – by selectively excluding large categories of consumers. For example, in numerous instances, Respondents have promoted average lifetime savings amounts in their advertisements that exclude all consumers whose loans with Respondents have a longer term than the previous student loans that consumers refinanced. Most of these excluded consumers actually pay more money – thousands of dollars, on average – as a result of their loans with Respondents over the lifetime of those loans.

7. Additionally, in numerous instances, Respondents have promoted average monthly savings amounts in their advertisements that exclude all consumers, on the flip side, whose loans with Respondents have a shorter term than the previous student loans that the consumers refinanced. Most of these excluded consumers actually pay more money each month – hundreds of dollars, on average – as a result of their loan with Respondents.

8. In numerous instances, Respondents’ Internet advertisements have made prominent, unqualified claims regarding the average lifetime or monthly savings achieved by consumers who have obtained a student loan refinance from Respondents. For example, these advertisements, copies of which are attached as Exhibits A through E, have included the following statements:
Exhibit A

Refi your Student Loans today
Members save an average of $19k

Exhibit B

Refinancing student loans saves $22,359 on average.

FIND YOUR RATE

Loans offered by SoFi Lending Corp. NMLS #1121636. See SoFi.com/eligibility for details.
Exhibit C

Start saving on your student loans.

Average monthly savings: $292.

Finish your app.

Exhibit D

Saving our members an average of $316/month.

Find my rate.

Exhibit E
9. Respondents have made similar claims in television advertisements. For example, the visual component of a television advertisement broadcast during the fall 2017 Major League Baseball playoffs, attached as Exhibit F, prominently represents the following about consumers’ average lifetime savings:

![Image of television advertisement]

Exhibit F

10. Respondents have also made similar claims in their direct mail advertisements. A copy of one such advertisement is attached as Exhibit G.

A. The front of the first page of the direct mailer makes the following representations:

![Image of direct mail advertisement]

**Exhibit G at 2**

B. At the bottom of the reverse side of this page – buried beneath descriptions of the frequently asked questions, terms and conditions, and prescreen opt-out notices – the mailer contains the following fine print disclaimer:

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How much can you save?
SoFi customers average over $18,936* in savings during the lifetime of their loan by refinancing. That’s cash in your pocket — available for investing, vacations, buying a home, whatever.

*Life time Savings
Average savings calculation is based on all SoFi members who refinanced their student loans between 1/1/15 and 12/31/15. The savings calculation is derived by taking the estimated lifetime cost of existing student loans minus the lifetime cost of SoFi loans upon refinancing for SoFi members who refinanced their student loans. SoFi’s average savings methodology for student loan refinancing assumes 1) members’ interest rates do not change over time (projections for variable rates are static at the time of the refinancing and do not reflect actual movement of rates in the future), 2) members make all payments on time, 3) members do not prepay loans, 4) members take advantage of AutoPay, which enables them to lower the APR of their loan by 0.25%, SoFi’s average savings methodology for student loan refinancing excludes refinancings in which 1) members elect SoFi loans with longer maturity than their existing student loans, 2) the term length of the SoFi loan is greater than 25 years, 3) the member did not provide correct or complete information regarding his or her outstanding balance, loan type, APR, or current monthly payment. SoFi excludes the above refinancings in an effort to maximize transparency on how we calculate our average savings amount and to minimize the risk of member data error skewing the average savings amount.
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Exhibit G at 3
This fine print disclaimer, in a buried provision, reveals that consumers had not, in fact, saved the average lifetime amount prominently promoted on the front of this direct mailer. Instead, it acknowledges on the fifth and sixth lines of fine print text that, among other things, “SoFi’s average savings methodology for student loan refinancing excludes refinancings in which . . . members elect SoFi loans with longer maturity than their existing student loans.”

11. Consumers who view one of Respondents’ Internet or television advertisements, or who receive one of Respondents’ direct mail advertisements, can apply for prequalification by visiting one of Respondents’ website landing pages. In numerous instances, these landing pages again prominently promote the average savings amounts represented to consumers in Respondents’ advertisements. Examples of such landing pages are attached as Exhibits H and I. The following statements have been featured at or near the top of these landing pages:

Exhibit H

LEADING STUDENT LOAN REFINANCING PROVIDER:

We’ve refinanced the most student debt in the U.S., so saving you money on student loans is kind of our thing. In fact, members who refinance with us save an average of $288² a month—and $22,359³ total. SoFi is one of few lenders that handles federal and private student loan consolidation. Plus, as a member, you’ll have access to a whole lot of perks: career strategy services, customer support seven days a week, invites to SoFi events, and more. Get started by checking your rates online in just two minutes.

Exhibit I
12. To the extent Respondents’ websites reveal that the prominently-touted average savings are not actually the average savings, that information is buried.

   A. For example, if consumers who view the landing page in Exhibit I above notice and click on the small number “288” that follows the statement “members who refinance with us save an average of $288,” they have been directed to a separate webpage titled “Disclosures & Disclaimers” – an example of which is attached as Exhibit J. This webpage contains a lengthy list of buried disclaimers. Among those many disclaimers is the following:

   Exhibit J at 2

   This disclaimer, in a buried provision, reveals that consumers had not, in fact, saved the average monthly savings amount prominently promoted on the landing pages and Respondents’ other advertisements. Instead, it acknowledges on the sixth and seventh lines of text that, among other things, “SoFi’s monthly savings methodology for student loan refinancing excludes refinancings in which . . . members elect a SoFi loan with a shorter term than their prior student loan term(s).”

   B. If consumers who view the landing page in Exhibit I above notice and click on the small number “22,359” in the statement “members who refinance with us save an average . . . $22,359 total,” they have also been directed to the separate webpage titled “Disclosures & Disclaimers” – attached as Exhibit J. Among the lengthy list of buried disclaimers is the following:
Exhibit J at 1

This disclaimer, in a buried provision, reveals that consumers had not, in fact, saved the average lifetime savings amount prominently promoted on the landing pages and Respondents’ other advertisements. Instead, it acknowledges on the seventh and eighth lines of text that, among other things, “SoFi’s average savings methodology for student loan refinancing excludes refinancings in which … members elect SoFi loans with longer maturity than their existing student loans.”

13. From the landing pages described in Paragraph 11 above, in many instances consumers can apply for prequalification for a loan by clicking on a button or link, such as the “Find My Rate” button in Exhibit H above.

14. After consumers click on the button or link, they can apply for prequalification. In order to apply for prequalification, in numerous instances, consumers have had to create an online account with Respondents, and then fill out an online application. In numerous instances, the application has required that consumers enter a variety of personal information, including name, contact information, date of birth, income, citizenship status, employment information, and educational history.

15. After consumers are prequalified for a loan online, in numerous instances Respondents’ website directs consumers to a webpage alerting them that they prequalify and displaying the available loan options for which they prequalify (based on information consumers can input regarding their current student loans). An example of such a webpage is attached as Exhibit K. As shown in Exhibit K, this webpage provides the consumer’s estimated individual savings for a select group of loans, while excluding the individual estimated savings or losses for other available loans, as discussed below:

A. To the extent a consumer seeking a fixed rate loan would pay more over the lifetime of a loan or each month, the webpage does not inform the consumer how much more money the consumer would pay. Instead, it falsely states that the consumer’s lifetime or monthly savings would be “$0.00.”

B. To the extent a consumer seeking a variable rate loan would pay more each month, the website does not inform the consumer how much more money the consumer would pay. Instead, it falsely states that the consumer’s monthly savings would be “$0.00.”

16. Respondents’ prominent representations, in Paragraphs 8 through 11 above, that consumers have saved, on average, large amounts of money over the lifetime of their loans or each month are false. In fact, these representations significantly inflate the average savings consumers have actually achieved – sometimes even doubling the actual savings – by selectively excluding large categories of consumers. Further, none of Respondents’ advertisements, buried disclaimers, or application information, as described in Paragraphs 8 through 15 above, shows consumers who were exposed to Respondents’ deceptive savings claims the actual, dramatically-lower average lifetime or monthly savings Respondents’ consumers have received. In fact, as
noted above, most of the consumers excluded from Respondents’ savings claims pay more money over the relevant time periods – losing thousands of dollars (on average) over the lifetime of their loans, or paying hundreds of dollars more (on average) in monthly payments.

FEDERAL TRADE COMMISSION ACT VIOLATION

Count I

False, Misleading, or Unsubstantiated Claims Regarding the Amount of Money Saved by Consumers

17. In connection with the advertising, marketing, promotion, or offering of student loans, Respondents have represented, directly or indirectly, expressly or by implication, that:

A. Consumers who obtain a refinance of student loans from Respondents have saved a specific, large average amount over the lifetime of these loans, such as “$18,936” or “$22,359”;

B. Consumers who obtain a refinance of student loans from Respondents have saved a specific, large average monthly amount, such as “$292” or “$316”; and

C. Consumers who prequalify for a refinance of student loans from Respondents will not lose money over the lifetime of one or more of Respondents’ refinance loans, or each month.

18. In numerous instances, the representations set forth in Paragraph 17 were false or misleading, or were not substantiated at the time the representations were made.

19. Therefore, Respondents’ practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. §45(a).

THEREFORE, the Federal Trade Commission this twenty-sixth day of October, 2018, has issued this Complaint against Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: